

# SPLIT-UPS AND STAND-UPS

## KEYS TO UNLOCKING VALUE

Companies are selling subsidiaries and carving out noncore businesses at record rates. What’s driving the surge of split-ups and stand-ups in the marketplace? The desire to unlock value.

In the right circumstances, splits make a lot of sense. Many companies, after re-evaluating their strategic priorities, find they may be better off operating independently as separate entities instead of as a conglomerate. Splits can provide big benefits, allowing companies to seize new opportunities, focus on a core strategy, attract better talent and achieve greater value.

Although these transactions offer great advantages, they also present considerable challenges. If a company doesn’t get a split-up right, it faces significant threats – talent loss, decreased productivity and declining organization performance.

### HOW TO GET THE MOST FROM A SPLIT

#### Have a Plan

The success of a spinoff depends on a clear roadmap for managing the separation. The Separation Deal Flow Process helps organizations translate strategy into action by providing an effective way to manage the separation work over a sustained period.

Specific objectives and actions are outlined for each stage of the separation, breaking down a complex process into manageable steps. Defining key milestones promotes coordinated and aligned action, and helps monitor progress.

	DECISION TO SEPARATE	ANNOUNCE SEPARATION	OPERATIONAL INDEPENDENCE	SPIN DATE	TSA END DATE
	●	●	●	●	●
Pre-separation Strategy and Planning	NewCo Strategic Planning	Separation Planning	Separation Complete/TSA Period	Spin/TSA Complete	
<b>Decide to separate</b> Develop business case. Ensure organization readiness to support separation.	<b>Finalize separation strategy</b> Identify requirements to establish NewCo and maintain RemainCo continuity.				
	<b>Prepare to separate</b> Establish governance protocols and plan for NewCo separation and RemainCo continuity. Prepare for TSAs as needed.		<b>Separate</b> Operate RemainCo and NewCo separately. Manage any TSAs.	<b>Post-spin</b> Post-spin and TSA completion.	
<b>Communication and change management</b> Ensure timely and aligned communication to manage the change for all employees.					

Most executives make this high-stakes transaction only once in their careers — getting it right is critical.

— CEO, Fortune 100 Company Client

## Focus on People

Realizing the full value of a split-up also requires addressing the critical people issues:

- **People-related costs.** Understand the impact that the split will have on related costs (such as payroll and benefits) as synergies may be lost.
- **Talent segmentation.** A separation involves rethinking organization design and how to source, allocate and keep talent. A retention strategy helps identify key employees and creates incentives for them to stay and contribute to the newly separated organizations.
- **HR policies.** Will the entity being spun off use the same programs as the parent organization? Will payroll systems stay the same? How will HR be administered throughout the spinoff process? The people questions are wide-ranging and deserve careful consideration.
- **Communications and engagement.** Spinoffs bring major change, which often spells productivity loss. A clear communications and engagement plan combats this risk by bringing the end vision to life and keeping the focus on execution.

## Get the Right Support

Finally, organizing the right teams to launch the separation work is critical.

Identifying dependencies within work streams, HR and business/functional areas allows the separation work to unfold in a logical, efficient way. Dedicated teams bring synergy to the process:

- The **Leadership Team** aligns to the strategy and has final decision-making authority.
- The **HR Project Management Office (PMO)** coordinates the cross-functional work of technical teams and provides day-to-day advice.
- **Technical work teams** provide subject matter expertise to complete the separation and work with the HR PMO to resolve issues.

### LEADERSHIP TEAM

### PROJECT MANAGEMENT GROUP

### TECHNICAL WORK TEAMS



With careful planning, a strong focus on people and the right support, organizations can avoid risk during a split-up, achieve their strategic goals and realize greater value.

## ABOUT MERCER'S M&A TRANSACTION SERVICES

Mercer's M&A Transaction Services is the preeminent global M&A advisor on people issues to buyers and sellers in corporate and private equity transactions.

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